APPENDIX 9

Exhibit "G"
Royce Financial Statement for Year-End 2007

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Partners of Royce Operating, L.P.:

We have audited the consolidated balance sheet of Royce Operating, L.P. and Subsidiaries (the Partnership) as of December 31, 2007 and the related consolidated statements of operations, changes in partners' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Royce Operating, L.P. and its Subsidiaries as of December 31, 2007 and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Partnership will continue as a going concern. As further discussed in Note 6 to the financial statements, subsequent to December 31, 2007, the Partnership encountered further downturns in operations and projected cash flow and received an adverse summary judgment in connection with a lawsuit. Management is beginning negotiations with its lenders to obtain revised credit agreements and is formulating a plan to permit the realization of assets and the liquidation of liabilities in the ordinary course of business. Management cannot predict the outcome of such negotiations or whether the plan will be achievable. These conditions raise substantial doubt about the Partnership's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Evans & Chastain, LLP

Houston, TX
July 16, 2008

EX-230

ROYCE OPERATING, L.P.
&
SUBSIDIARIES

Consolidated Financial Statements
December 31, 2007

ROYCE OPERATING, L.P.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
December 31, 2007

ASSETS

Cash and cash equivalents	$ 379,921
Restricted cash and cash equivalents	1,925,699
Receivables:	
Trade - title companies	1,180,961
Related parties	-
Other	3,256,174
Prepaid expenses	1,548,848
Inventory	223,775,250
Property and equipment, net of accumulated depreciation of $4,133,157	5,356,819
Earnest money deposits and other assets, including lot purchase deposits of $2,503,850	4,285,293
	$ 241,708,965

LIABILITIES AND PARTNERS' EQUITY

Accounts payable:	
Trade	$ 7,847,183
Related parties	(27,305)
Accrued liabilities	6,688,249
Construction and acquisition and development loans payable	197,383,125
Capital lease obligation	4,197,654
Deposits and advances from customers	433,326
Total liabilities	216,522,232
Minority interests	6,675,032
Partners' equity	18,511,701
	$ 241,708,965

The accompanying notes are an integral part of this balance sheet.

ROYCE OPERATING, L.P.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2007

Revenues:	
Home and land/lot sales revenue	$ 206,116,118
Cost of sales:	
Direct costs	154,426,630
Indirect, selling, and closing costs	18,724,331
	173,150,961
Gross profit	32,965,157
Operating expenses:	
Marketing	13,318,322
General and administrative	10,535,669
Interest expense	8,808,630
	32,662,621
Income from operations	302,536
Other income:	
Interest income	140,997
Other	5,046,228
Income before minority interest in net income of consolidated entities	5,489,761
Minority interest in net income of consolidated entities	(1,133,314)
Income before provision for taxes	4,356,447
Provision for Texas margin tax	400,158
Net income	$ 3,956,289

The accompanying notes are an integral part of this financial statement.

ROYCE OPERATING, L.P.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PARTNERS' EQUITY
For the Year Ended December 31, 2007

Balance, January 1, 2007, as reported	$ 34,513,419
Adjustment to beginning equity to correct 2006 eliminations	(902,668)
Balance, January 1, 2007, as restated	33,610,751
Net income	3,956,289
Distributions to partners	(19,982,422)
Contributions from partners	927,083
Balance, December 31, 2007	$ 18,511,701

The accompanying notes are an integral part of this financial statement.

ROYCE OPERATING, L.P.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2007

Cash flows from operating activities:	
Net income	$ 3,956,289
Adjustments to reconcile net income to net cash flows provided by (used for) operating activities:	
Minority interest in net income of consolidated entities	1,133,314
Adjustment to beginning equity to correct 2006 eliminations	(987,950)
Depreciation and amortization expense	673,255
Decrease in trade and other receivables	1,610,142
Decrease in prepaid expenses	660,195
Decrease in residential housing inventory, land under development, construction in progress, and finished homes	13,010,391
Decrease in deposits and other assets	661,824
Decrease in accounts payable and accrued liabilities	(7,758,225)
Decrease in earnest money - deposits and advances from customers	(367,186)
Net cash flows provided by operating activities	12,592,049
Cash flows from investing activities:	
Investment in restricted cash and cash equivalents	(1,584,764)
Disposals of fixed assets	35,628
Net cash flows used for investing activities	(1,549,136)
Cash flows from financing activities:	
Proceeds from construction and acquisition and development loans	229,893,541
Repayment of construction and acquisition and development loans	(222,869,611)
Repayment of capital lease obligation	(261,404)
Distributions to partners, including distributions to minority interest partners of $1,064,184	(21,046,606)
Contributions from partners	927,083
Net cash flows used for financing activities	(13,356,997)
Net decrease in cash	(2,314,084)
Cash and cash equivalents:	
Beginning of year	2,694,005
End of year	$ 379,921
Supplemental disclosure of cash flow information:	
Cash paid for interest	$ 9,014,681

The accompanying notes are an integral part of this financial statement.

ROYCE OPERATING, L.P. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2007

1. Organization and Summary of Significant Accounting Policies

Organization

Royce Operating, L.P. (the Partnership), a Delaware limited partnership, was formed on September 15, 2006, the purpose of which was to consolidate various interests in operating partnerships under common control by the partners. On September 15, 2006, the various interests in operating partnerships were contributed to the Partnership. The financial statements are presented as of and for the year ended December 31, 2007, as all of the interests in the operating partnerships were under common control and ownership for this period.

The Partnership owns a 99% interest in Royce Homes, L.P. (Royce Houston), a Delaware limited partnership, which was formed on June 30, 1998. Royce Houston is engaged principally in the construction and sale of single-family homes. In August 1999, Royce Houston acquired a 66.6% ownership interest in Texas Colonial, L.P. (Texas Colonial). The primary market of the Royce Houston and Texas Colonial is southeast Texas. In 2002, Royce Homes-Atlanta, L.L.C. (Royce Atlanta) and Royce Homes-Dallas, L.L.C. (Royce Dallas), subsidiaries of Royce Houston were formed to conduct business in Atlanta and Dallas, respectively. Royce Houston owns a 99.9% interest in each entity. Royce Houston also owns a 100% interest in Royce Homes-North Carolina, L.L.C., which was formed in April 2006 to conduct business in Charlotte, North Carolina.

The Partnership also owns a 99.81% interest in Royce Homes-Phoenix, L.L.C. This subsidiary of the Partnership was formed in 1999 to conduct business in Phoenix, Arizona.

The Partnership conducts business with two other subsidiaries, Royce Model Homes, L.P. (Model Homes) and Park Lake Communities, L.P. (Park Lake), which are, respectively, engaged in the ownership and leasing of model homes and the development of land and the sale of finished lots. The Partnership owns a 99% interest in each of the entities.

In addition, Park Lake owns an equity interest in a joint venture formed to develop land and sell finished lots, which is consolidated.

The Partnership, its subsidiaries, and consolidated affiliates are collectively referred to as "Royce."

Principles of Consolidation

The consolidated financial statements include the accounts of Royce Operating, L.P. and all of its majority-owned subsidiaries and affiliates after elimination of intercompany transactions.

In December 2003, the Financial Accounting Standards Board (FASB), issued FIN 46-R, which amended Fin 46 (*Consolidation of Variable Interest Entities-an interpretation of ARB No. 51)* that had been issued earlier in that year. This statement required that, for non-public companies, the assets and liabilities of any material Variable Interest Entities (VIEs) should be consolidated into the Companies' financial statements for all such contracts with such entities entered into or amended after December 31, 2004. An entity is considered a VIE if (1) the entity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from others or (2) the entity holders lack (a) the direct or indirect ability to make decisions about the entity's activities through voting or similar rights, (b) the obligation to absorb the expected losses of the entity or (c) the right to receive expected residual returns of the entity or (3) the equity investors have voting rights that are not proportionate to their economic interest and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest. After considering such criteria, if an entity is deemed to be a VIE, the enterprise that absorbs the majority of the expected losses or profits of the VIE is considered the primary beneficiary and is required to consolidate the VIE. The Partnership's management reviewed all new contracts entered into in 2007 and 2006 and management believes that the financial impact of any potential VIEs would not have a material effect on the financial statements. There were no VIEs consolidated under FIN 46 at December 31, 2007.

Revenue Recognition

Revenue from home sales is recognized by Royce at the closing of the sale. A sale is considered to be closed when payment has been received and title, possession, and other attributes of ownership have been transferred to the buyer and Royce is no longer obligated to perform any significant activities related to the sale.

Inventory and Cost of Sales

Inventory includes the cost of direct land acquisition, land development and home construction, capitalized interest, real estate taxes, and direct overhead costs incurred during development and home construction. The specific identification method is used for the purpose of accumulating home construction costs.

Cost of sales for homes closed includes the specific construction costs of each home and all applicable land acquisition, land development, and related costs (both incurred and estimated to be incurred). Cost of sales for homes also includes interest, real estate taxes and indirect costs incurred during the construction (or development) period.

In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, land inventory and related communities under development are reviewed for potential write-downs when impairment indicators are

present. SFAS No. 144 requires that in the event the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts, impairment charges are required to be recorded if the fair value of such assets is less than their carrying amounts.

In accordance with SFAS No. 144, valuation adjustments are recorded on finished homes when events or circumstances indicate that the carrying value is less than the fair value less costs to sell the home.

There were no impairments recorded during the year ended December 31, 2007.

Inventory, substantially all of which is pledged as collateral for construction loans payable, consists of the following at December 31, 2007:

Completed:	
Under contract for sale	$ 21,827,407
Unsold	62,002,054
Models	10,379,231
Under construction:	
Under contract for sale	7,395,893
Unsold	15,767,714
Land and lots:	
Land under development	13,835,809
Finished lots in inventory	92,567,142
	$223,775,250

Property and Equipment

Property and equipment consists principally of an office building under a capital lease. The office building is amortized using the straight-line method over the life of the lease.

The remainder of property and equipment primarily consists of office equipment, furniture, fixtures, autos, and trucks. These assets are carried at historical cost and are depreciated using the straight-line method over the assets' estimated useful lives. Fixed assets are stated at cost net of accumulated depreciation. Depreciation expense for the year ended December 31, 2007, was $673,255.

Maintenance and repairs are charged to expense as incurred.

Cash and Cash Equivalents

Royce considers all investments with an original maturity date of three months or less at the time of purchase to be cash equivalents. At December 31, 2007, certain deposits were in transit to the bank. As a result, Royce's cash balances of approximately $658,000 have been reclassified to liabilities.

Financial Instruments

The carrying amounts of receivables, accounts payable and accrued liabilities, construction loans payable, and the capital lease obligation are believed to reasonably approximate their fair values. The carrying amount of debt includes principal as well as unpaid interest, which is recorded in accrued liabilities.

Restricted Cash and Cash Equivalents

Royce has $1,573,675 in deposits with Amegy Bank (Amegy) which is subject to certain restrictions. These funds serve as security for a letter of credit issued by Amegy as partial collateral for a finished lot option agreement with a third party. See Note 4 for further discussion regarding this agreement.

A certificate of deposit in the amount of $322,000 is being held pursuant to an agreement to purchase certain property and includes reinvested interest income of $30,024 for a total balance of $352,024 at December 31, 2007.

Concentrations of Credit Risk

The Partnership invests its cash in depository accounts with financial institutions, the balances of which, at times, exceed the federally insured limits. As of December 31, 2007, Royce had approximately $2,021,000 on deposit with such financial institutions in excess of insured limits. Additionally, $1,826,000 of the restricted cash was in excess of insured limits as of December 31, 2007.

Trade receivables from title companies represent proceeds from mortgage loans not yet funded by major title companies. These receivables are maintained in regulated trust accounts by the title companies and are generally collected within five days after the closing of each sale. Royce does not require collateral.

Royce has not experienced any losses from these credit risks and management believes the risk of loss is minimal.

A significant portion of the Partnership's business is conducted in the state of Texas and, accordingly, the market value of the Partnership's inventory is susceptible to changes in market conditions that may occur within Texas.

Warranty Obligations

Royce provides a one-year warranty on its homes for any structural defects. The related estimated expense is accrued when a home is sold based on 2% of the sales price. A third-party warranty for certain structural defects is provided to homebuyers, which limits Royce's exposure. See Note 3.

Deposits and Advances from Customers

Royce requires earnest money deposits from all purchasers. These amounts are recorded as deposits until such time as the sale has closed and the funds are applied toward the purchase price. Royce also, on occasion, may build homes financed by the buyer. The funds received are recorded as advances until the construction of the home is complete.

Capitalized Interest

Interest is capitalized on land and building activities during the construction period and included in cost of sales when revenue is recognized on the sale. Interest incurred subsequent to the construction period on unsold homes and model homes is expensed during the period incurred.

Real Estate Taxes

Real estate taxes attributable to land development projects are capitalized as inventories.

Income Taxes

No provision has been made for federal income taxes, as the partners, not the Partnership, are individually taxed on their respective income allocations. The Partnership is liable for certain state and local taxes.

Partners' capital accounts reflected in the accompanying statement of changes in partners' equity differ from the amounts reported in the Partnership's tax returns because of differences in accounting policies adopted for financial and tax reporting purposes.

The state of Texas enacted the Texas margin tax to replace the Texas franchise tax. It is effective for the year ended December 31, 2007. Since the tax base on the margin tax is derived from an income based measure, the margin tax has characteristics of an income tax

and as a result, the provisions of SFAS 109, *Accounting for Income Taxes* apply to this tax. In accordance with SFAS 109, the effect of deferred liabilities of a change in a tax law should be included in tax expense attributable to continuing operations in the period including the enactment date. The tax is computed at 1% of the gross profit, adjusted for various exclusions to revenue and cost of goods sold. The amount of margin tax estimated for 2007 is $400,158.

Advertising Costs

Advertising costs are expensed as incurred. These costs, included in general and administrative expenses, approximated $3,195,000 for the year ended December 31, 2007.

Long-Lived Assets

Royce reviews long-lived assets for impairment whenever events indicate that the carrying amount of an asset may not be recoverable. No such impairment has occurred for the year ended December 31, 2007.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates and assumptions are related to contingencies. Actual results could differ from these estimates.

Products and Segment Information

The Partnership is primarily a builder of entry-level and mid-priced homes with homebuilding operations in Houston, Phoenix, Dallas/Fort Worth, Atlanta, and Charlotte. Approximately 93% of the Partnership's revenues for the year ended December 31, 2007, came from its operations in Texas, with home sale revenue in Houston accounting for approximately 84% of total revenues.

Related Party Transactions

A related party, Hammersmith Financial, L.P., provides mortgages to many of the Partnership's homebuyers. Hammersmith Financial, L.P. receives no compensation from the Partnership for providing these mortgages.

Related party receivables consist primarily of receivables from employees for reimbursement of payroll advances and personal use of company-issued credit cards and express shipping.

Related party payables represent amounts due to a prior owner of the Partnership under a contractual agreement.

During 2007, a related party, RH Models 2007, purchased a portion of the completed model home inventory owned by Royce. The inventory was purchased at appraised values for a total sales price of $7,368,000. Royce's cost of the model homes was $5,129,944. The net amount of the transaction has been recorded in other income for 2007. Royce Houston and Texas Colonial have entered into separate leaseback agreements with RH Models 2007 for the units that were purchased.

2. Property and Equipment

Property and equipment consists of the following:

	Estimated Useful Life (in Years)	December 31st 2007
Land	-	$ 1,014,870
Building improvements	15	1,173,209
Computer hardware and software	5 - 7	828,991
Autos and trucks	5	440,310
Office furniture and fixtures	5 - 7	834,838
Leasehold improvements	7	109,667
		4,401,885
Less: accumulated depreciation		(2,015,570)
		2,386,315
Building under capital lease	15	5,088,091
Less: accumulated amortization of building		(2,117,587)
		$ 5,356,819

3. Warranty Obligations

A summary of warranty obligations included in accrued liabilities for the year ended December 31, 2007 is as follows:

Warranty obligation, beginning of year	$ 1,970,414
Adjustment to reverse over-accrual	(235,682)
Warranty costs paid during the year	(897,047)
Warranty obligation, end of year	$ 837,685

4. Construction and Acquisition and Development Loans Payable

Home Construction Loans

Financing for construction of homes is available under agreements with various financial institutions with a total borrowing capacity of approximately $287,000,000 as of December 31, 2007, subject to certain financial covenants, the most restrictive of which requires the Partnership to maintain a specified minimum level of net worth, a maximum ratio of total liabilities to tangible net worth, and a maximum ratio of speculative homes to total homes in inventory. Pursuant to those agreements, funds are drawn by Royce as construction progresses. Such construction loans are repaid as homes are sold and title passes to the purchaser. Substantially all homes, lots, and related improvements are pledged as collateral for the construction loans. The term of these loan agreements is generally 12 months from the loan origination date.

In 2007, Royce refinanced approximately $12,380,973 of lot debt through the sale of certain lots in Houston and Dallas to HGF-Centerra Development L.P. (Holigan), a third party company, for approximately $20,091,520. Royce then entered into a separate agreement with Holigan to repurchase the lots, subject to a required takedown schedule. The agreement calls for an irrevocable, unconditional, stand-by letter of credit which is required to equal 30.31% of the cumulative purchase price of lots still outstanding under the agreement, to be adjusted quarterly. Royce has outstanding letters of credit with Wachovia ($2,000,000) and Amegy ($3,092,319) to satisfy this requirement. The agreement requires Royce to pay a monthly option fee as well as all real estate taxes, maintenance, utility and insurance costs on the lots. Management concluded that the third party's assets and liabilities related to these lots should be consolidated into Royce's financial statements; the cost of the remaining assets held by such third party is included in improved lots in inventory and the associated debt is included in construction loans payable. As of December 31, 2007, the balance outstanding under this agreement was $14,736,012.

These financial institutions charge interest based on Prime or LIBOR plus stated margins. For the year ended December 31, 2007, annualized rates ranged from 7.00% to 8.25%.

As of December 31, 2007, the Partnership had speculative homes and certain regional sublimits in excess of the maximum ratios allowed by certain financial institutions, for which waivers for such covenant violations were obtained. The overall ratio of financed speculative homes to total financed homes was approximately 66% on a total dollar basis and 63% on a total unit basis at December 31, 2007. As of December 31, 2007, the most restrictive leverage covenant with the lenders requires that the ratio of total liabilities to tangible net worth not exceed 8.5 to 1; Royce's leverage ratio as of December 31, 2007 was approximately 8.6 to 1.

A summary of interest, including fees paid to obtain commitments for construction loans is as follows for the year ended December 31, 2007:

Interest capitalized, beginning of year	$ 10,649,150
Interest incurred	18,491,227
Less amount:	
Included in cost of sales	(4,227,231)
Included in interest expense	(7,647,974)
Included in model home sales	(1,052,824)
Interest capitalized, end of year	$ 16,212,348

Acquisition and Development Loans

To ensure the adequate availability of finished lots for the construction of homes, Royce acquires land and develops finished lots primarily for its own account. Individual land development loans (A&D loans) are obtained for each project undertaken based on Prime or LIBOR rates plus stated margins. For the year ended December 31, 2007, annualized rates ranged from 7.47% to 9.14%. A&D loans are repaid as lots are acquired for homebuilding and construction financing is obtained.

Minimum required principal repayments for A&D loans at December 31, 2007 are as follows:

2008	$ 33,607,810
2009	1,387,333
2010	232,333
2011	232,333
2012	232,333
Thereafter	5,130,696
	$ 40,822,838

5. Commitments and Contingencies

In the normal course of business, Royce enters into lot purchase contracts to purchase improved lots that generally require an initial deposit of less than 5% of the stated purchase price. At December 31, 2007, Royce had outstanding deposits of $2,503,850, which are included in deposits and other assets in the consolidated balance sheet. While most of these contracts are non-specific performance agreements, as of December 31, 2007, Royce had entered into specific performance arrangements that required the companies to purchase 174 lots at a base price of approximately $4.8 million. In accordance with the requirements of FIN 46, management attempted to obtain information from these development entities so they could determine if those entities should be considered VIEs and whether the assets and

liabilities of those entities should be consolidated with Royce's assets and liabilities. Several of the entities did not respond to management's request and of those that did respond, four entities met the criteria to be considered VIEs; however, management decided that the assets and liabilities of those entities would not be consolidated in these financial statements as they considered the overall effect on total assets and liabilities (approximately $20.5 million) to be immaterial based on the consolidated totals of assets and liabilities as presented in these financial statements. As of December 31, 2007, Royce had options to purchase approximately 6,065 lots at a total base purchase price of $185.2 million.

The Partnership has an available letter of credit line of $9,957,317, of which $8,957,317 had been utilized as of December 31, 2007, principally in lieu of earnest money deposits for lot purchases and as additional collateral for various A&D loans.

The Partnership leases an office building under a lease that expires in 2016 and meets the criteria for recording as a capital lease. Rental expense under other operating leases totaled approximately $398,548 for the year ended December 31, 2007.

The minimum lease payments in the aggregate and for the next five years under non-cancelable leases are as follows:

	Capital	Operating
2008	$ 857,871	$ 1,470,337
2009	857,871	45,950
2010	857,871	-
2011	881,701	-
2012	898,722	-
Thereafter	3,070,634	-
	7,424,670	$ 1,516,287
Amount representing interest	(3,174,156)	
Present value of minimum lease payments	$ 4,250,514	

The Partnership is involved in various other legal proceedings and litigation arising in the normal course of business. In the opinion of management, except as outlined in Note 6, the outcome of such proceedings and litigation will not have a material adverse effect on the Partnership's consolidated financial position, results of operations, or cash flows.